

April 27, 1999

D.T.E. 98-113

Investigation by the Department, on its own motion, as to the propriety of the rates and charges set forth in the following tariffs: M.D.T.E. Nos. 995, 996, 997, 998, 999, 1000, and 1001, filed with the Department on November 13, 1998, to become effective December 1, 1998, by Massachusetts Electric Company and Nantucket Electric Company.

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FOR: MASSACHUSETTS ELECTRIC COMPANY

NANTUCKET ELECTRIC COMPANY

Petitioner

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COMPANY

Limited Participant

- INTRODUCTION

On November 16, 1998, Massachusetts Electric Company and Nantucket Electric Company ("MECo" or "Company") filed for approval by the Department of Telecommunications and Energy ("Department") new tariffs, policies, and terms and conditions for the Company governing contributions in aid of construction, enhanced metering, second feeder service, interconnection policies with generators, purchase terms for Qualifying Facilities ("QFs"), protection requirements for interconnection service, and decorative streetlights (November 1, 1999 MECo Letter at 1). In addition, MECo filed proposed updates for its fees and charges for services provided pursuant to its Terms and Conditions for Distribution Service and Fees and proposed Charges to the Terms and Conditions for Competitive Suppliers (*id.*). On November 23, 1998, the Department suspended the operation of the rates and charges set forth in the MECo tariffs to no later than June 1, 1999. On March 5, 1999, the Company withdrew all the tariffs filed in this proceeding except for MECo's QF purchase rate (M.D.T.E. No. 996, canceling No. 859-B) ("QF Tariff").

On March 25, 1999, the Department held a public hearing to receive comment on the Company filing. The Department granted Cambridge Electric Light Company and Commonwealth Electric Company, and Western Massachusetts Electric Company limited participant status.

## II. ANALYSIS AND FINDINGS

The Department of Telecommunications and Energy ("Department") has commenced a rulemaking proceeding which proposes revisions to 220 C.M.R. §§ 8.00 et seq. - Sales of Electricity by Qualifying Facilities and On-site Generating Facilities to Distribution Companies, and Sales of Electricity by Distribution Companies to Qualifying Facilities and On-Site Generating Facilities ("QF Regulations"). Qualifying Facilities Rulemaking,

D.T.E. 99-38 (Order Opening Rulemaking, April 27, 1999). The Department's proposed QF Regulations are intended to replace the Department's existing QF Regulations and comply with the changes brought about by Chapter 164 of the Acts of 1997, entitled, "An Act Relative to Restructuring the Electric Utility Industry in the Commonwealth, Regulating the Provision of Electricity and Other Services, and Promoting Enhanced Consumer Protection Therein" ("Restructuring Act"). Id.

The current QF Regulations, among other things, provide a pricing mechanism for QF rates based upon the costs avoided by an electric company. See 220 C.M.R. § 8.04. However, in light of changes to the industry, such as electric company divestiture of generation resources and market-based pricing for generation products, electric companies no longer have the basis for establishing avoided costs that they had in the past. The Department's proposed QF Regulations are designed to accomplish two major objectives:

(1) price QF power at a market rate;<sup>(1)</sup> and (2) redefine the responsibilities associated with interconnecting QFs and on-site generators to an electric distribution company's system.<sup>(2)</sup>

Qualifying Facilities Rulemaking, D.T.E. 99-38, at 1 (Order Opening Rulemaking, April 27, 1999).

Until a market rate is established, MECo proposes to pay QFs rates equal to those QF rates in effect as of March 1, 1998 (M.D.T.E. No. 996, at 1-2). This proposal is consistent with its present QF rate. When a market rate is established, MECo proposes to pay QF rates equal to the payment received by the Company for the sale of any capacity or reserves-related products associated with a QF's output to the NEPOOL power Exchange or its successor on the first day of the month following the commencement of the establishment of a market rate

(id.).<sup>(3)</sup>

In consideration of the facts that (1) MECo's present rates for QFs will not change until a market price is established; (2) MECo has a market pricing proposal in its QF Tariff; and

(3) the Department has commenced a rulemaking proceeding on QF rates, we find that it is appropriate to grant MECo a temporary exception from 220 C.M.R. §§ 8.00 et seq., and allow MECo's QF Tariff to become effective on an interim basis. 220 C.M.R. § 8.07(3). When the Department's revisions to 220 C.M.R. §§ 8.00 et seq. become final, MECo is directed to withdraw its QF Tariff and submit tariffs in compliance with Department regulations.

### III. ORDER

Accordingly, after due notice and consideration it is

**ORDERED:** That Massachusetts Electric Company's and Nantucket Electric Company's Tariff, M.D.T.E. No. 996, canceling No. 859-B, is hereby allowed to take effect on an interim basis; and it is

**FURTHER ORDERED:** That Massachusetts Electric Company and Nantucket Electric Company shall, upon the effective date of the Department's proposed Qualifying Facility Regulations set forth in Qualifying Facilities Rulemaking, D.T.E. 99-38, submit tariffs in compliance with such regulations.

By Order of the Department,

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Janet Gail Besser, Commissioner

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James Connelly, Commissioner

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W. Robert Keating, Commissioner

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Paul B. Vasington, Commissioner

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Eugene J. Sullivan, Jr., Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).

1. A bid-based wholesale electricity marketplace, administered by the New England Independent System Operator, is anticipated to commence on May 1, 1999.
  2. On-site generators are a class of generators defined in the Restructuring Act as those of 60 KW or less. G.L. c. 164, § 1G(g)(iii).
  3. For those facilities 60 kW or less, MECo proposes to permit the facility to deliver energy to MECo through reverse metering, or based upon the market rate
- (M.D.T.E. No. 996, at 2).